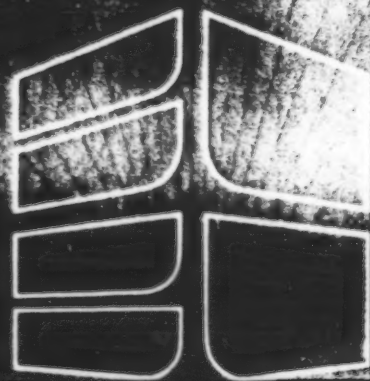




ANNUAL
REPORT
1988

Ten Year Highlights

Year Ended March 31

FINANCIAL

	1988	1987
Gross Revenue	250,104	239,885
Operating Income	67,394	66,539
Interest	44,429	61,247
Net Income	22,965	5,292
Cash Flow	51,148	36,877
Total Assets	592,000	567,458
Operating Income Margin	26.9%	27.7%
Return on Investment	12.3%	10.2%
Return on Equity	22.1%	5.1%

PROPERTIES

Owned	1,303,960	1,300,433
Leased	459,946	442,577
Maintained	78,420	79,003
	<u>1,842,326</u>	<u>1,822,013</u>

STAFF

Total Authorized Complement

870

939

The British Columbia Buildings Corporation is a Crown corporation established by legislation in 1976 to bring strict accountability to the provision and allocation of government accommodation.

Using a market based pricing system to the maximum extent possible, the Corporation establishes rents which are charged to government ministries for the space they occupy. The Corporation thus fulfills its mandate to be revenue dependent, while ministry budgets more accurately reflect the costs of government programs.

The Corporation represents a unique departure from the ministry or department approach to the provision and maintenance of accommodation for government in three important ways:

- Overall direction is vested in a Board of Directors on a basis broadly comparable with the private sector
- Operations are financed through revenue derived from charging for the space and services provided
- Capital projects are financed through borrowings and internally generated funds.

The Corporation is accountable to the Legislature through the Provincial Secretary and Minister of Government Services.



JUN 24 1988

The B.C. Buildings Tenth Anniversary Pin

A silver lapel pin, bearing the Corporation's logo, was designed to mark the tenth anniversary of the Corporation's official start date, April 1, 1978, and one of these pins is presented to each employee on completing 10 years' service.

Legislation establishing the Corporation was passed in October 1976. Following the initial planning phase by the Provincial Government and consultants, the first person was appointed to the Corporation—President and Chief Executive Officer, John R. Pitcher—in May 1977. During the following 10 months, staff was hired or transferred from government and the responsibilities of the Department of Public Works were taken over by the Corporation.

Over the decade the Corporation has firmly established itself and achieved its major objectives. It has called on the abilities of many people to meet the demands of building an organization around a totally new concept that involved devising innovative systems and procedures that would meet client ministry accommodation needs.

This tenth anniversary report is dedicated to present and past employees of the British Columbia Buildings Corporation.

\$000's

1986	1985	1984	1983	1982	1981	1980	1979
234,547	234,321	227,059	206,708	179,114	154,019	136,886	121,707
69,053	67,419	65,096	54,236	37,261	30,763	25,540	18,897
65,858	63,015	56,584	37,657	20,540	13,718	7,198	1,670
3,195	4,404	8,512	16,579	16,721	17,045	18,342	17,227
39,583	40,919	41,899	43,348	37,058	34,726	35,084	33,485
791,352	821,961	854,769	812,210	538,094	456,043	444,316	396,164
29.4%	28.8%	28.7%	26.2%	20.8%	20.0%	18.7%	15.5%
10.4%	10.1%	9.6%	9.1%	9.0%	8.0%	7.2%	5.9%
3.0%	4.2%	8.1%	17.0%	18.0%	19.7%	17.9%	14.6%

Square Metres

1,355,019	1,384,846	1,440,424	1,382,881	1,334,991	1,244,951	1,101,695	991,369
436,619	420,171	448,675	465,316	434,544	410,170	356,778	334,119
104,424	104,998	159,321	147,273	298,585	332,890	330,000	330,000
1,896,062	1,910,015	2,048,420	1,995,470	2,068,120	1,988,011	1,788,473	1,655,488

999 1,060 964 1,134 1,180 1,208 1,233 1,244



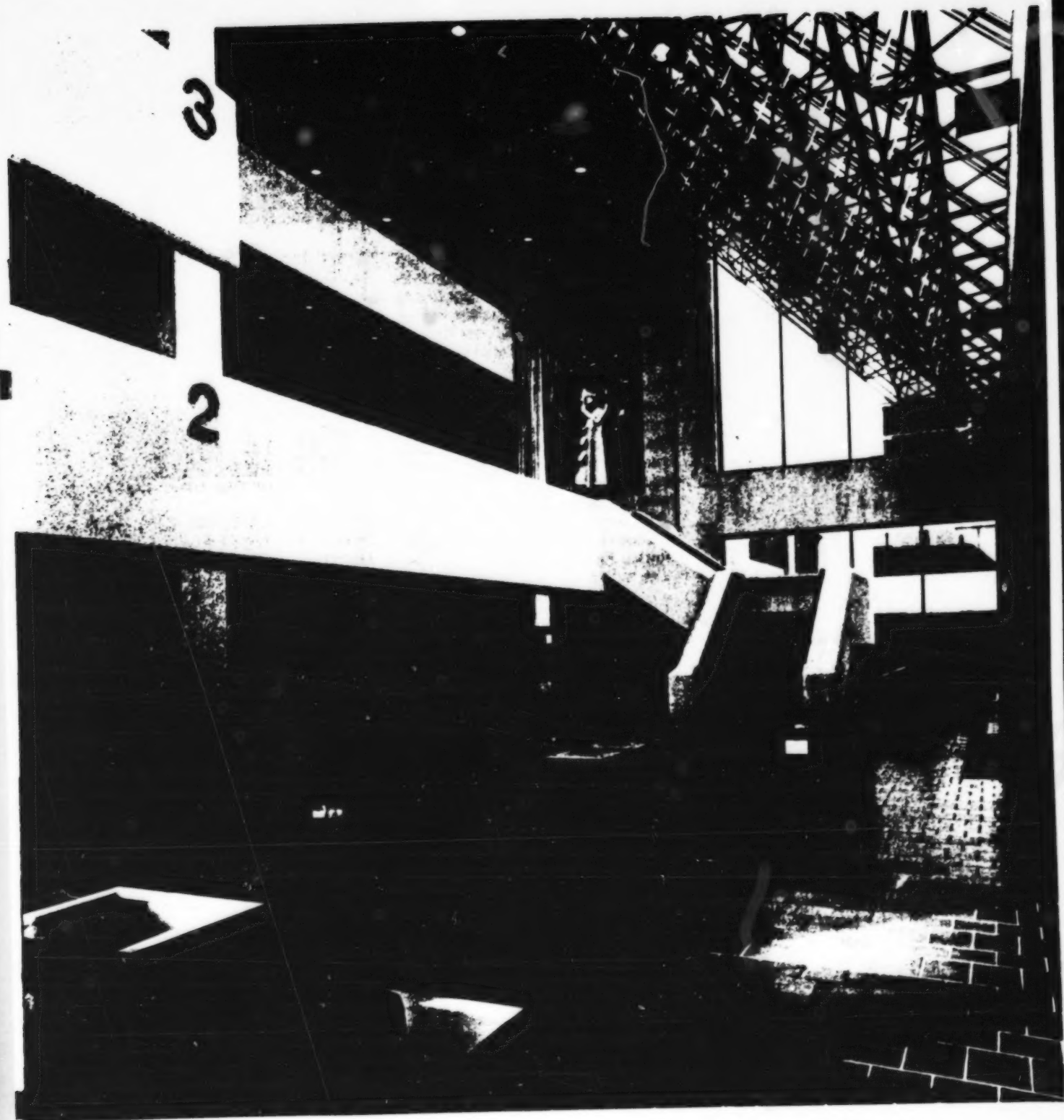
His Honour
The Honourable Robert G. Rogers
Lieutenant-Governor of the Province
of British Columbia

MAY IT PLEASE YOUR HONOUR

The undersigned has the honour to present the
Annual Report of the British Columbia Buildings Corporation
for the year ended March 31, 1988.

A handwritten signature in dark ink, appearing to read 'Elwood N. Veitch'.

Elwood N. Veitch
Provincial Secretary and Minister of
Government Services
Province of British Columbia



Entrance to New Westminster Law Courts which was the first major construction project totally controlled by B.C. Buildings, and was officially opened in 1981. An excellent example of the Corporation's energy conservation program, the building won an American Society of Heating, Refrigeration and Air-conditioning Engineers award in 1987.

President's Report



It is a particular pleasure for me to have this first opportunity to comment on the Corporation's performance, not only because the 1987/88 fiscal year saw us again meet or exceed a number of challenging objectives, but also, the year represented our tenth full fiscal year of operation. In order to recognize this milestone and highlight the achievements of the decade of service to our shareholder, the Government of British Columbia, we have dedicated the theme article to the accomplishments of our employees.

Before commenting specifically on 1987/88's results, I would like to recognize—on behalf of the Board of Directors, the management and all of the Corporation's employees—the tremendous leadership we received from my predecessor, Peter Dolezal. Peter joined the Corporation at its inception, and when

he left us on November 30, 1987 to become the President of Westar Mining, he had been our President and Chief Executive Officer for seven-and-a-half years. All of us with the Corporation wish him well and the many achievements described in the theme article are testimony to his leadership. I would also like to express our thanks to Doug McCallum, who left our Board of Directors during the year, for his counsel and support.

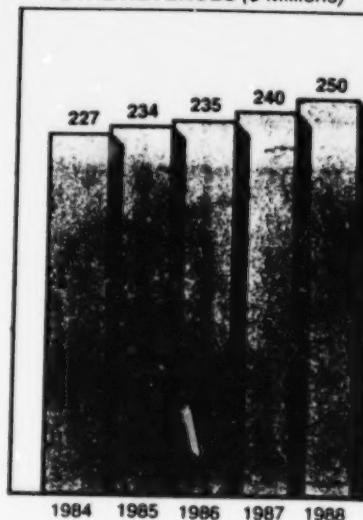
The 1987/88 fiscal year saw the Corporation reporting its best ever financial results, while taking significant further steps to rationalize permanent staff levels in favour of continuing the decade-long program of privatizing services. In addition, a number of important initiatives were taken to improve service delivery to customers and to better equip employees with the skills necessary to further develop their careers.

Financial Results

The Corporation achieved a net income of \$23 million in 1987/88, notwithstanding the costs associated with the highly successful early retirement program and the reduced emphasis on the contribution to profitability from net gains on disposals. This highest ever net income was due mainly to the following:

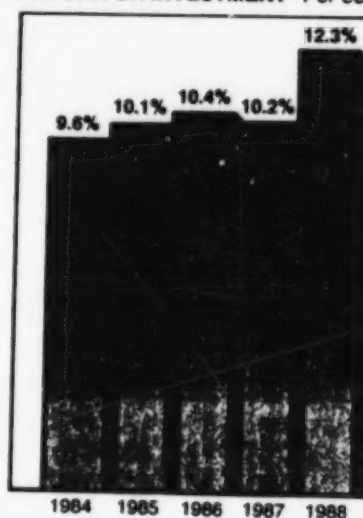
- stronger revenue which stemmed mainly from increased space occupied by clients, higher volumes of client service work, reduced vacancy rates and the completion of several construction projects;
- continued downsizing of our permanent staff complement through attrition;
- continued success of our energy management program combined with an unseasonably mild winter;
- interest costs were down by almost \$17 million mainly because, on March 31, 1987, the Government acquired the share and the \$205 million in debt associated with our former investment in the British Columbia Place Ltd.; and
- higher capital spending, which was directed mainly at new correctional facilities, allowed us to capitalize more overheads.

TOTAL REVENUES (\$ Millions)



As a result of the much improved operating performance and the elimination of the B.C. Place investment and associated debt, our return on investment for the year was 12.3%, significantly higher than any previous year. Further, this result was achieved without the benefit of any rent increases due to the continued sluggishness of much of the British Columbia real estate market against which we establish most of our base rents. Return on equity for the year was 22.1%, the highest it has ever been.

RETURN ON INVESTMENT Per cent



Our Board of Directors has declared a dividend, payable to our shareholder, the Government of

British Columbia, for the full amount of our net income of \$23 million, as we are again in a position to use the industry comparable 80:20 debt equity ratio as the basis upon which to determine the amount of any dividends payable to the government.

Total borrowings, net of bond discount, increased by \$4.8 million during the year because the level of capital spending exceeded internal funds available. The Corporation continued its strategy of relying on short and medium term borrowings to take maximum advantage of the generally declining interest rates prevailing in the current business cycle.

Customer Service

A number of important initiatives were undertaken during the year to further enhance service delivery to our customers, both at the local and head office levels. The concept of Priority One service was further promoted throughout the Corporation, and our employees were encouraged to think more of how they could better serve their customers, whether external or internal. All Management by Results statements prepared by employees throughout the Corporation contained at least one objective specifically directed toward improving Priority One service.

The client panel process continued to serve as a highly effective forum for the Corporation and its ministry contacts to discuss items of mutual interest and to produce improvements to policies and procedures.

The concept of full service accommodation is being actively pursued by many of our customers and the Corporation as a means of further expanding and improving our service. In addition, the client panel assisted in the development of an enhanced Treasury Board Staff budget analysis, and improvements were implemented to synchronize our client budget report and ministry submissions with this new format.

A third field customer satisfaction audit was completed by P.A. Research Consultants. This latest

survey indicated that our field customers felt that our service levels and responsiveness had improved from previous satisfactory levels. Each Property Management Unit met to review its respective results and to develop strategies to further enhance service and performance.

The request processing system was further enhanced to make managing commitments to clients easier while providing more accurate project status and current billing information upon project completion.

A new space planning system was introduced during the year which consolidates the many and varied inputs required to prepare timely and comprehensive space alternatives and community plans while improving accuracy and productivity.

A number of ministry or departmental consolidations were handled expeditiously during the year and were acknowledged positively by the clients involved.

Initiatives were taken to study and improve the physical environment in which our customers work. The results of research performed by several University of Victoria cooperative students have been incorporated into comprehensive heating, ventilating and air-conditioning standards that are used by consultants and developers on our projects.

Greater attention was directed toward securing new business from other publicly funded organizations within the province. By the end of the year, \$1.1 million in new revenue had been obtained and we believe that many other opportunities are available to the Corporation, particularly in light of some of the unsolicited approaches for assistance that we have received.

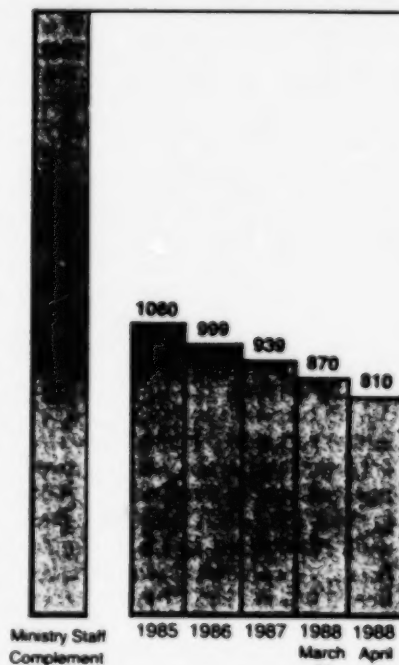
Human Resources

The 1987/88 fiscal year was particularly significant in terms of the continuing evolution and rationalization of our permanent staff complement; the coincident creation of greater opportunities for our people to be given more challenging and rewarding work; and for the private

sector to do even more business under contract with the Corporation.

During the year, the number of positions was reduced by 52 through normal attrition and a further 17 were eliminated as a result of employees who accepted one of the options offered under the same early retirement incentive plan that the government made available to its employees. On April 1, 1988, a further 60 positions were eliminated resulting from other employees accepting the early retirement opportunity. This total reduction of 129 positions represents 13.7% of the permanent staff complement that was in place on March 31, 1987.

Corporate Staff Levels Compared to Government Ministries Staff Complements



There were 2,007 positions in various ministries of government dedicated to functions now performed by B.C. Buildings employees. Prior to the Corporation becoming operational, the former Department of Public Works had 1,674 staff. Later transfers to the Corporation from other government ministries involved 333 positions.

As a result, we will be starting the 1988/89 fiscal year with 810 positions or almost 1,200 less than existed in the government before the Corporation assumed responsibility for the accommodation functions.

We recognized some time ago that our employees should be offered additional training to ensure

that as many people as possible would be in positions to accept the challenges that would naturally be available as we continued to reduce our workforce by attrition. Consistent with this direction, 1987/88 was our most active training year ever. In all, 22 courses were presented on such subjects as Commitments (a highly successful successor version of the Excellent Manager Program introduced a few years ago), Leadership Development, Supervisory Skills, Management Process Skills, Negotiations and others. There were over 450 participants in these programs, all of which were presented in-house to ensure both consistency of content and economy. Additionally, several hundred of our employees took computer related courses covering such areas as heating and ventilating control, remote building operation, word processing and financial analysis. As well, many employees were involved in other courses, such as urban land economics and accountancy.

As a further positive aspect of our attrition-based downsizing, 116 employees were promoted or transferred laterally to broaden their experience base and better equip them for future opportunities within the Corporation.

In addition to the above, we further reduced our temporary staffing from five person years of coverage last year to three person years in 1987/88; and overtime levels were maintained at 1% of regular hours. Absenteeism was reduced from 3.4% in 1986/87 to 3%, a rate that is well below the national average.

One area of concern, however, related to accident frequency. After achieving a dramatic reduction from 33 lost time accidents in 1985/86 to only 14 in 1986/87, we experienced 20 accidents in the past year. While we are pleased that the result for the year was significantly better than two years ago, we are concerned that 20 of our employees were injured seriously enough to be off work. Our Accidents Zero program has brought safety to the forefront of the minds of all of our employees and we will continue to

reinforce this theme so that Accidents Zero becomes a reality, rather than a goal.

Real Estate Activities

The benefits from having established a Real Estate Group during the previous fiscal year became clearly apparent as we were better able to focus our energies on a number of very important activities and special challenges that presented themselves with respect to our real estate portfolio.

The government announced a program of privatizing several functions being performed within various ministries and, in every case, the real estate aspects needed to be considered and resolved since these functions were being performed in space either owned or leased by the Corporation. We were able to resolve the real estate issues pertaining to the concluded privatization of the Soils and Tissue Laboratory in Kelowna, the Queen's Printer Book Store and the Langford Sign Shop in Victoria. At year end, pertinent real estate information had been assembled in connection

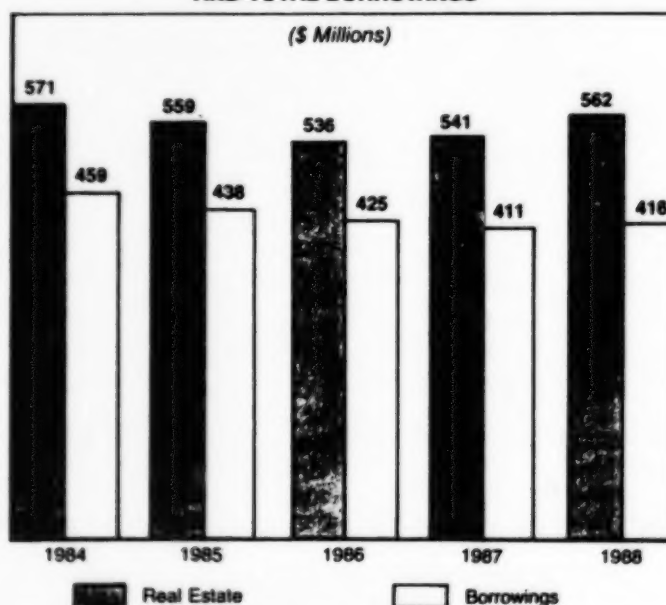
with the privatization of highways and bridge maintenance throughout the province. This is an important consideration for the Corporation since we own 192 Highways yards.

Property disposals continued to be an important activity, though not as critical to our financial success as in previous years. During the year, we disposed of 57 properties which generated \$11.8 million in proceeds and contributed \$2.1 million to our net income.

The redevelopment plan for the Oakalla lands in Burnaby is a good example of the value being added by the Corporation's portfolio management service to a major government initiative.

Further improvements were achieved in the management and overall reduction of vacant space through such activities as reallocation of space to clients, which amounted to \$2.7 million in annual revenue; sale of surplus property; subletting vacant leased space; and better planning. The vacant space level stood at 3% at March 31, 1988, down from 3.5% a year ago.

**TOTAL REAL ESTATE INVESTMENTS
AND TOTAL BORROWINGS**



Borrowings for the years 1984 to 1986 have been restated to exclude borrowings in respect of the investment in B.C. Place Ltd.

Major Capital Projects

The principal thrust of our capital spending in 1987/88 was directed toward various correctional facilities, including the early phases of the three projects to replace the present Lower Mainland Regional Correctional Centre (Oakalla), the new Kamloops Regional Correctional Centre and the Prince George Youth Detention Centre. Projects in progress at year end have total capital budgets exceeding \$118 million.

During the year, 18 major capital projects amounting to \$22 million were commissioned. In aggregate, these projects were completed 6.3% below budget and were within the approved schedules.

Property Management

We continued to manage all of our operations, maintenance and energy costs very tightly such that they increased by only 2.5% over the previous year, excluding the cost of the early retirement program.

Total operating costs per square metre have increased by only 10% over the past six years; whereas the Vancouver Consumer Price Index rose by 33% during the same period. Costs per square metre were actually reduced in four of our 16 PMU's this year compared to 1986/87. The benefits stemming from our operating cost efficiencies are, of course, passed on to our customers.

One of the key ways in which we have been able to control our operating costs is to continually expand the use of the private sector as we reduce our permanent staff complement through attrition. In 1987/88, \$40 million was spent on private sector contracts. This represented an increase of 8.7% from the previous year and amounted to 60.6% of our total Property Management expenditures, other than energy and administration.

Our staff continued to find more and more innovative ways to save energy, without compromising customer comfort, such that our consumption in 1987 was reduced by a further 3%. This brings our cumulative reduction to 52% since the inception of the Energy Management

Program in 1979. Total savings are growing at an annual rate of \$6.5 million which represents an ongoing return on investment of over 45% based on our total capital invested of \$14.4 million. Cumulative savings since the program started amount to \$35.8 million.

1988/89 Priorities

As we move into the 1988/89 fiscal year and begin our second decade, we have again set a number of key priorities, including:

- Getting closer to our customers and delivering on commitments shall remain the focus for Priority One. All groups and departments will work more closely together and each employee's performance will reinforce this goal.
- The real estate aspects of the government's privatization initiatives will be actively supported and optimized through prompt and professional real estate service.
- The construction of the Oakalla replacement facilities in Maple Ridge, Burnaby and Surrey will be underway and on schedule.
- Portfolio management services will be marketed innovatively to other public sector organizations and to newly privatized operators, with our prime objective being to assist in minimizing accommodation costs.
- Revenue growth will be moderate, net income will be relatively unchanged at \$22.6 million, and our return on investment will increase to 12.6%.
- We will respond promptly to any government reorganization or restructuring plans, while ensuring that our vacant space is kept below 3%.
- Our energy management program will continue to improve our customers' working environment while achieving an annual cost avoidance of \$7 million.
- Our total capital spending will be at the highest level in many years and will approximate \$65 million; consequently, borrowings will increase by \$25 million.
- Further downsizing of the organization will continue to be attrition-

based and effective manpower development initiatives will be used to ensure that our employees are best positioned to meet expected challenges, with personal career growth and internal promotion remaining as key policies.

On behalf of all our employees, I would like to thank the members of the Board of Directors, particularly our Chairman, Tom Toynbee, for again providing us with excellent counsel throughout the year. The achievements of the past year and, indeed, of the decade would not have been possible without the support and assistance we have received from the board members, both past and present.

Last, but far from least, I would like to thank each one of our employees whose enthusiasm, commitment and solid efforts allowed us to achieve the results which I am proud to report. Special thanks are also extended to employees who left the Corporation in either 1987/88 or a prior year, for their contributions. I believe that all employees, past and present, can look back with pride on what has been achieved over the years by the British Columbia Buildings Corporation and I hope that this annual report's theme article will have a special meaning for us all.



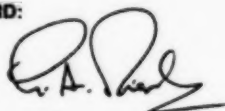
Dennis F. Truss
President and Chief Executive Officer

Balance Sheet

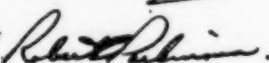
	Note	March 31	
		1988	1987
		\$000's	
ASSETS			
Real estate investments			
Income-producing properties	2	519,660	518,921
Income-producing properties under construction	3	34,804	11,670
Land held for development	4	7,842	10,521
		<u>562,306</u>	<u>541,112</u>
Corporate properties and equipment	5	8,512	9,101
Unamortized debt discount and issue expenses		6,903	9,735
Other assets	6	14,279	7,510
		<u>592,000</u>	<u>567,458</u>
LIABILITIES			
Long-term debt	7	347,529	342,009
Notes payable to the Province of British Columbia	8	32,793	43,098
Short-term debt	9	42,090	35,360
Other liabilities	10	65,441	42,803
EQUITY			
Contributions by the Province of British Columbia	11	55,538	55,579
Retained earnings		48,609	48,609
		<u>592,000</u>	<u>567,458</u>
Commitments	12		

ON BEHALF OF THE BOARD:

George A. Rigsby, Director



Robert E. Parkinson, Director



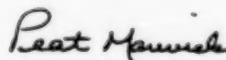
The accompanying notes are an integral part of these statements.

AUDITORS' REPORT

To the Lieutenant-Governor-in-Council
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1988 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

Vancouver, Canada
May 5, 1988

Statement of Income

REVENUE

Rentals
Other income

EXPENSES

Property management
Leases
Depreciation
Energy
Property taxes and grants
General and administrative

Net income before interest

Interest

NET INCOME

Note	Year ended March 31	
	1988	1987
	\$000's	
	231,747	222,451
	18,357	17,434
	<u>250,104</u>	<u>239,885</u>
	67,630	62,541
	51,211	47,575
	29,805	28,464
	14,063	14,417
	11,118	11,582
	8,883	8,767
	<u>182,710</u>	<u>173,346</u>
	67,394	66,539
13	<u>44,429</u>	<u>61,247</u>
	<u>22,965</u>	<u>5,292</u>

Statement of Retained Earnings

Balance, beginning of year
Net income

Dividend

Balance, end of year

Year ended March 31	
1988	1987
\$000's	
48,609	45,962
22,965	5,292
71,574	51,254
22,965	2,645
<u>48,609</u>	<u>48,609</u>

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

OPERATING ACTIVITIES

Net income
Non-cash items - depreciation and amortization
- gains on disposal of properties
Other assets and liabilities, net change

Year ended March 31	
1988	1987
\$000's	
22,965	5,292
32,919	35,899
(2,134)	(2,801)
(2,602)	(1,513)
<u>51,148</u>	<u>36,877</u>

FINANCING ACTIVITIES

Long-term debt issued
Long-term debt repayments
Increase in sinking funds
Decrease in notes payable to the Province
Increase (decrease) in short-term debt

27,300	50,000
(11,444)	(48,183)
(10,336)	(9,971)
(10,305)	(11,787)
6,730	(958)
<u>1,945</u>	<u>(20,899)</u>

INVESTMENT ACTIVITIES

Return of investment in British Columbia
Place Ltd. to the Province
Debt relating to British Columbia Place Ltd.
assumed by the Province
Real estate investments
Sale proceeds from disposal
of properties
Corporate property and equipment

-	205,000
-	(205,000)
(57,180)	(44,113)
11,761	13,225
(2,898)	(2,429)
<u>(48,317)</u>	<u>(33,317)</u>

DIVIDENDS

Dividend declared
Increase in dividend payable

(22,965)	(2,645)
20,320	2,645
<u>(2,645)</u>	<u>-</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

<u>2,131</u>	<u>(17,339)</u>
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The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1988

1. ACCOUNTING POLICIES

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

(a) Real Estate Investments

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Cash and Cash Equivalents

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash and temporary investments, net of bank indebtedness.

2. INCOME-PRODUCING PROPERTIES

	1988	1987
	\$000's	
Net book value:		
Cost	710,317	686,467
Accumulated depreciation	(190,657)	(167,546)
	<u>519,660</u>	<u>518,921</u>
Activity:		
Net book value, beginning of year	518,921	510,429
Properties transferred from income-producing properties under construction	32,038	40,154
Disposals	(4,892)	(5,681)
Depreciation expense	(26,407)	(25,981)
Net book value, end of year	<u>519,660</u>	<u>518,921</u>

3. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION

Balance, beginning of year	11,670	15,048
Direct development and construction costs	50,299	32,671
Capitalization of:		
Interest	1,372	1,236
General and administrative expenses	3,501	2,869
Cost of properties completed and transferred to income-producing properties	(32,038)	(40,154)
Balance, end of year	<u>34,804</u>	<u>11,670</u>

4. LAND HELD FOR DEVELOPMENT

Balance, beginning of year	10,521	11,355
Capitalization of interest and property tax	188	492
Disposals	(2,867)	(1,326)
Balance, end of year	<u>7,842</u>	<u>10,521</u>

Notes to the Financial Statements

March 31, 1988

5. CORPORATE PROPERTIES AND EQUIPMENT

	1988	1987
	\$000's	
Cost:		
Office and data processing equipment	11,943	9,982
Corporate properties and leasehold improvements	3,102	3,102
Maintenance equipment	2,387	2,399
Vehicles	2,953	2,440
	<u>20,385</u>	<u>17,923</u>
Accumulated depreciation	<u>(11,873)</u>	<u>(8,822)</u>
	<u>8,512</u>	<u>9,101</u>

6. OTHER ASSETS

Accounts receivable		
– Province of British Columbia	9,835	5,347
– Other	2,384	1,753
Prepaid expenses	2,080	410
	<u>14,279</u>	<u>7,510</u>

7. LONG-TERM DEBT

	1988	1987
	\$000's	
Principal outstanding:		
27 series at an average effective interest rate of 11.93% (1987 – 25 series at an average effective interest rate of 12.07%)	406,097	490,241
Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of \$313,041,000 (1987 – \$288,041,000)	(58,568)	(48,232)
	<u>347,529</u>	<u>442,009</u>
Liability assumed by the Province	–	(100,000)
	<u>347,529</u>	<u>342,009</u>

Coupon rates on the long-term debt range from 8.50% to 15.69%.

Of the long-term debt outstanding, \$154,922,000 (1987 – \$130,890,000) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of \$165,041,000 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Included in the long-term debt is a mortgage of \$2.3 million secured by the Youth Detention Centre at Logan Lake.

Aggregate sinking fund and principal payments on all outstanding debt for each of the next five years:

	\$000's
1988/89	21,584
1989/90	66,567
1990/91	21,592
1991/92	46,661
1992/93	22,651

8. NOTES PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA

The promissory notes are non-interest bearing, callable on 30 days notice, and repayable semi-annually in varying amounts to March 31, 1992, as follows:

	\$000's
1988/89	10,306
1989/90	10,306
1990/91	10,306
1991/92	1,875
	<u>32,793</u>

9. SHORT-TERM DEBT

The short-term notes are payable to the Minister of Finance and Corporate Relations for British Columbia and mature at varying dates to June 28, 1988. The effective interest rates range from 8.35% to 8.63%, and average 8.54% for the notes outstanding.

10. OTHER LIABILITIES

	1988	1987
	\$000's	
Due to bank, unsecured	1,231	3,362
Accounts payable and accrued liabilities	25,450	20,671
Holdbacks	2,829	1,215
Accrued interest payable:		
- Province of British Columbia	5,376	6,293
- Other	7,590	8,617
Dividend payable	22,965	2,645
	<u>65,441</u>	<u>42,803</u>

11. CONTRIBUTIONS BY THE PROVINCE OF BRITISH COLUMBIA

Balance, beginning of year	55,579	59,021
Land returned to the Province	(41)	(3,442)
Balance, end of year	<u>55,538</u>	<u>55,579</u>

12. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction will be \$74,000,000 of which \$17,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately \$162,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1988:

	\$000's
1988/89	40,000
1989/90	34,000
1990/91	28,000
1991/92	21,000
1992/93	15,000
Post 1992/93	<u>162,000</u>

13. INTEREST

	1988	1987
	\$000's	
Interest on long-term debt	44,108	64,887
Other interest	3,645	4,815
Amortization of debt discount and issue expenses	3,113	7,309
Amortization of foreign exchange loss	-	126
	<u>50,866</u>	<u>77,137</u>
Deduct:		
Interest assistance	-	10,000
Interest earned	4,915	4,201
Interest capitalized	1,522	1,689
	<u>6,437</u>	<u>15,890</u>
	<u>44,429</u>	<u>61,247</u>

In previous years the Province of British Columbia provided assistance of \$10 million towards the interest expense incurred by the Corporation in connection with its former investment in British Columbia Place Ltd.

14. RELATED PARTY TRANSACTIONS

The Corporation received 92% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

During the year ended March 31, 1988, the Corporation had property transactions with the Province and its agents. Properties returned had a value of \$41,000 which was determined by reference to net book values.

People make the difference

B.C. Buildings personnel live and work in virtually every part of the province—anywhere there is a government program needing accommodation and property management service. Staff work out of strategically located Property Management Units (PMUs) in cities and towns around the province and, in many cases, travel hundreds of kilometres to deliver required service and maintenance.

Over 80% of our original staff were recruited from government ministries and the remainder from the private sector. This combination of public sector experience and a private sector operating approach has produced a record of success that has drawn attention from across Canada and as far away as China and Australia. Canadian jurisdictions in particular have expressed great interest in the management systems and methods developed by our staff. Results achieved by the joint efforts of our staff include:

- Since April 1, 1978, major projects with total budgets of \$566 million have been completed with actual costs averaging 7.1% below budget.
- Vacant space, which peaked at 7% in the restraint period, has been reduced to 3%, saving the government about \$6 million annually.
- An energy conservation program has saved a cumulative \$35.8 million with a capital investment of only \$14.4 million. These savings are growing at an annual rate of \$6.5 million, representing a 45% return on investment.
- An aggressive real estate disposal program over the past four years has generated proceeds of \$58.2 million.
- Over the past 10 years, operating costs per square metre have risen only 32% despite an increase in the Vancouver Consumer Price Index of 82% in the same period.

The Corporation privatizes its operations when a solid economical business opportunity is identified, and frequently compares the costs

of its operations with the market place. A recent study by Royal Le Page confirmed that our operating costs were substantially below those of the private sector. Responding to an independent survey by P.A. Research Consultants, 72% of our clients felt that the Corporation was the best mechanism for providing the space management function for the provincial government.

A tour of the 16 PMUs in the three regions around the province highlights the diversity of the Corporation's property management activities. Pictures show our staff, past and present, engaged in delivery of Priority One service to our clients.

Property Management Group Region 3

About 2,900 kilometres north of Vancouver, along the Stewart-Cassiar Highway, the temperature can drop to 50 degrees below zero. Still, Corporation staff working out of Terrace, Dease Lake and Meziadin Lake are on the road serving the needs of clients along the 1,289 kilometre highway from Stewart to Atlin.



Geographically, the Terrace PMU is the Corporation's largest covering a total of 105,000 square kilometres. The Unit's territory stretches 1,616 kilometres from Atlin in the north to Kitimat in the south, and from Burns Lake west to the Queen Charlotte Islands, a distance



of 650 kilometres.

All our property managers and their employees take a special pride of ownership in the properties under their responsibility because they are accountable for them in the same way as if they were the owners. If for example employees become aware of space that is under utilized, they identify opportunities for filling the vacancy.

A prime example of attention to space needs occurred in Prince George a few years ago. Space for a shopping mall in the ground floor of an office block development,

Plaza 400, just didn't sell. The PMU, in a joint effort with the Space Management Department and the Development Group at Head Office in Victoria, transformed the area into much needed interim court facilities, offices and space for Emergency Health Services. The reas-

signment of the former mall area resulted in full and profitable use of some 1,632 square metres of space.

To the people of the Williams Lake PMU, the problem of distance can turn an every day job of visiting client locations into a real challenge. This PMU covers the Cariboo, Chilcotin and coastal areas with a staff of just 10 people to manage 52,950 square metres of space. It was they who first split their PMU into individual accountability areas, by assigning specific individuals to be responsible for all services to clients within each geographic area. The idea worked so well that it was adopted by other PMUs around the province.

In the Southern Interior, within the Kamloops PMU, the Tranquille institution claimed much of the Unit's attention until its closure and subsequent transfer to the Ministry of Forests and Lands. However, within the PMU over the last several years there has been \$70 million of new construction including the courthouse, the High Valley Young Offenders Camp at Logan Lake and the Kamloops Regional Correctional Centre which is nearing completion.

In Kelowna and surrounding areas, employees have developed several unique ways to meet customer requirements, including an interior design service. In cooperation with the client ministries, staff prepare a sample board which displays types of linoleum, carpet, wall vinyl, arborite finishes, paint colors, textures and fabrics for selection and approval. This extra service not only saves valuable time for the customers, but also ensures that a professional touch is evident in establishing color combinations for office decor.

Although not as isolated as some of the northern units, the Nelson PMU has its own particular challenges with an inventory of over 400 buildings scattered among 40 communities. To visit them all by road is a 2,250 kilometre trip and, working out of Nelson, employees have to contend with two time zones. Heritage courthouses at Fernie, Nelson, Rossland, Revelstoke, Kaslo and Grand Forks add another

dimension to the demands of the diverse portfolio.

Region 2

The Fraser Valley begins Region 2 which includes the Lower Mainland and the Sunshine Coast.

Besides the regular daily routine of caring for the accommodation service requirements of clients, the Abbotsford PMU is responsible for the maintenance and operation of the buildings and equipment at the Fraser Valley Trout Hatchery.

At Coquitlam, the largest single site in the Corporation's portfolio houses the Riverview Hospital complex which, over the years, has had the largest concentration of employees of all the PMUs. Their high level of performance and dedication resulted in the housekeeping section of this Unit being commended for its standard of excellence by the National Hospital Accreditation Survey Team in November 1987.

Covering New Westminster, East Burnaby, Coquitlam, Port Coquitlam, Port Moody and part of Surrey is PMU 9 which has consistently led the Corporation in energy conservation. One of their buildings, the New Westminster Law Courts (pictured on page 3) placed first in its region (western Canada and north-west United States) in the 1987 American Society of Heating, Refrigeration and Air-conditioning Engineers (ASHRAE) competition. The



building is the most energy efficient in the Corporation's portfolio.

It may not always be easy to like your landlord, but when you're told how you can save \$125,000 annual rent you know the landlord has your best interests at heart. That's how it was recently with the PMU team for Vancouver East and Burnaby, who, working with their client, Advanced Education and Job Training, planned a downsizing of leased space. Additionally, in two buildings used by the Ministry of Attorney General, the installation of automated energy management systems resulted in energy cost savings of more than 50%, or \$133,000 a year.

At any time, South Vancouver, Ladner, Richmond, Delta, the North Shore, or the Sunshine Coast can be the destination of staff at PMU 6. One of the largest sites under their care is Jericho Hill in Vancouver. Already well known as the school for the deaf, in 1978 the location also became home to the Justice Institute of B.C., a training



centre for those working in the fields of justice and public safety.

Staff at Robson Square find they are in the middle of a multitude

of public events in Vancouver's downtown park and people place. During the past year, they have assisted in the production of more than 15 feature movies, a visit by the Queen and several events and meetings associated with the Commonwealth Conference. They also prepare the great hall of the Law Courts for over 50 receptions a year and serve the public with a media centre, meeting rooms, a cinema and a theatre as well as meeting the needs of their clients who are representative of virtually every government ministry. This high profile Unit has received numerous awards including an ASHRAE international award for energy conservation, a first prize landscaping award for North America and the City of Vancouver award for the development of public open space.

Region 1

The Corporation's Region 1 staff are responsible for properties located throughout Vancouver Island and at Powell River.

At the northern end of Vancouver Island, the difficulties of transportation to the more remote Gulf Islands can sometimes resemble the inhospitable Northern Interior conditions. These problems are faced in good spirit by staff working out of the Nanaimo PMU. Their customers are widely dispersed on Vancouver Island and on 10 of the Gulf Islands, as well as across the strait at Powell River.

On the southern tip of Vancouver Island, the capital city has three PMUs with the combined responsibility for the Legislative Buildings, several heritage and major office buildings in the downtown core, the Vancouver Island Regional Correctional Centre, Glendale Hospital, and Tillicum Lodge (a long term care facility)—in all, 370,000 square metres of high profile space.

The Legislative Building is, without doubt, the most high profile building in the province—its maintenance is continually under scrutiny from politicians, staff, and daily visitors from around the province and the world.

Within the downtown Victoria PMU, mechanical operations in



eight major buildings are accomplished through a centralized energy and building management control system. This concentrated use of largely B.C. developed computer technology has enabled the Corporation to be on the leading edge of energy and building environment management. Staff plan to expand use of the system to another 14 buildings in Victoria next year.

Glendale Hospital, the western communities and the northern part of Victoria, along with the adjacent Gulf Islands, is the territory covered by the PMU located at Glendale. The Unit is particularly proud of the great effort demonstrated by the PMU in bringing the new \$35 million Vancouver Island Regional Correctional Centre on stream.



Led by Technical and Energy Management, Property Management's only centralized department, the Corporation embarked upon a five year energy conservation program with the ambitious target of reducing energy consumption in its properties across the province by 25%. This program was so successful in its first five years that it achieved an actual reduction of 31.2%. Based on this success, the program was extended and has resulted in a cumulative reduction in energy consumption of 52% by the end of 1987.

The Property Management Group, with its province-wide service responsibilities, makes up over 80% of the total staff of the Corporation. All other employees including a small administration unit of Property Management, are located at Head Office in Victoria. The Head Office staff is divided into four major groups: Planning and Client Services, Development, Real Estate, and Administration.



Planning and Client Services Group

The Planning and Client Services Group is the Corporation's prime contact with the head office ministry clients, just as the Property Management Group is the link with the customer in the field. Good communication is the key to positive relationships with decision-making clients, and the yearly publication of the *Accommodation Manual* greatly assists the process. This manual, produced by the Corporation, is a joint effort of our staff, senior ministry personnel and Treasury Board Staff. They meet to discuss items such as policy issues, pricing, levels of service, application of standards or any other matter that may arise in the business relationship.

In this group, the management of commitments to clients has taken on a high profile as a key component of Priority One service. As client requests for space are received, appropriate alternatives are developed for each one. These alternatives are given a thorough

evaluation, with due attention directed to filling corporate vacant space, provided the client's basic requirements are met. In satisfying large space requirements, consideration is given to either developing new space, primarily through the private sector, or using existing space.

The Corporation has achieved a dramatic reduction in the amount of vacant space in its portfolio. Over the past several years, the Portfolio Management Committee developed a strategy for the disposal of surplus buildings and the reassignment of vacant space which resulted in the addition of \$10 million to Corporation revenue. The responsibility of keeping track of almost two million square metres led the Space Management Department to develop their own computerized space management system, a space planning system and computer aided drafting to assist the process.

This group has also made B.C. Buildings expertise available to non-ministry, government funded organizations to assist with their real estate and portfolio management needs. This service is offered in the interest of helping them to reduce their accommodation costs. Complementing this initiative is the Consulting Services Section of the Property Management Group. During the past four years, achievable savings of \$10 million annually have been identified in the organizations that have been studied.



Development Group

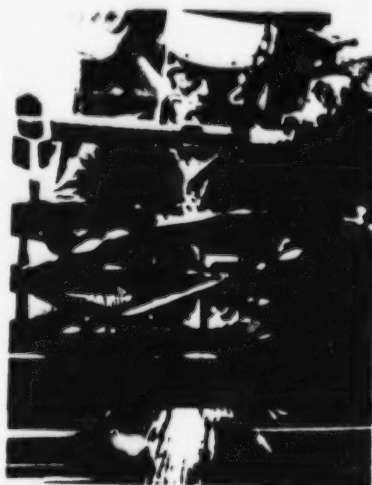
Though B.C. Buildings looks increasingly to the private sector to supply the accommodation needs of its client ministries, it meets some requirements through new construction, principally correctional facilities and other special use buildings. Over the past 10 years, almost \$600 million has been spent on new construction with all planning, estimating and construction for such major projects managed within the Development Group at the Corporation's Head Office. Incorporated into the planning are various Treasury Board approved standards developed over the years and uniformly applied by the Programming and Estimating Department to all government space needs. The importance of the standards is that they provide a basis for the fair and cost-effective allocation of space among client ministries.

Feasibility studies on behalf of clients have ranged from preliminary conceptual designs and analysis to detailed and complex planning studies. Such studies determine the economic implications of various accommodation solutions and establish the project scope. Their benefits are evident in better



control of the initial stages of a project and the development of critical data to assist the decision making process for the client.

If the decision is to provide a new building, the management of the feasibility, design and construction phases of the project come under the direction of the Project Management Department. The major challenge of the department is to ensure that projects are completed on schedule, within budget and to the satisfaction of the client. The tendering process for all new construction is an important step in each project and is carried out according to prescribed procedures developed by staff of the department.



projects with total budgets of \$180 million including four major correctional centres.

Although the projects are designed by private sector consultants, it is the Technical Standards and Research Department staff, who define the parameters within which the designers work. These parameters range from layout and shape through to specific visual, acoustic and environmental criteria. They are based upon, and evaluated through, actual operational experience obtained by liaison with the Property Management Group and other experts in the industry.

Real Estate Group

As mentioned earlier, the Corporation's real estate portfolio of owned and leased properties is extensive and varied. It includes office buildings, correctional centres, trout hatcheries, new and heritage courthouses, major institutions, and Highways and Forests installations.

The Real Estate Department has played a significant role in the rationalization of the Corporation's portfolio over the past 10 years. In addition to acquiring all Ministry of Forests offices and warehouse properties in 1982, it has negotiated the acquisition and disposal of numerous other properties. Most recently, the department has been providing information and advice concerning real estate holdings to several government privatization committees.

From the inception of the Corporation, a decentralized procurement system was developed which

supports the Corporation's provision of high quality service to customers at the field level, while ensuring compliance with provincial preference policies. While many clients are housed in Corporation owned property, others are in space leased from private sector property owners. On behalf of ministry clients, the leasing section manages a portfolio of some 460,000 square metres costing over \$50 million a year. Standard lease documents, developed by the staff, ensure consistent, fair application of leasing policies in all areas of the province.

One of the basic concepts of the Corporation, is that it will charge fair prices for the services it provides. A comprehensive pricing system, which is based on market principles, has been developed to reflect the variety of building types in the Corporation's portfolio. In addition, Pricing Department staff have developed a timely, accurate, automated system which expedites client budget reports. Departmental statistics show a major decline in billing adjustment requests—a gauge of the acceptability of the market pricing policy and the accuracy of our billings.



Administration Group

The initial challenge of the Human Resources and Corporate Affairs Department was to staff the more than 1,200 positions of the new organization and to establish the Human Resources policies and procedures that would give universal direction and a sense of cohe-

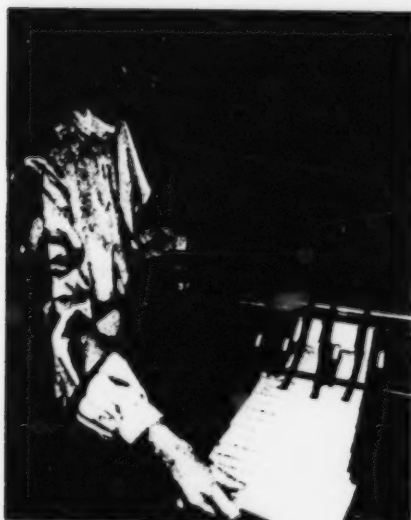


Since 1978, staff of the department have managed the design and construction of many notable buildings. Among them are the Vancouver Island Regional Correctional Centre, Douglas Building Annex, Williams Lake Resource Building, Kamloops Courthouse, and the New Westminster Law Courts. The staff also managed the construction of the Robson Square and Vancouver Law Courts complex. At the close of the 1987/88 year, the Development Group had in design, or under construction,

siveness to a widely dispersed staff across the province. As that was being accomplished, positive relationships were established with the B.C. Government Employees' Union which represents our bargaining unit employees.

These positive attitudes toward labour relations have continued on both sides over 10 years through five negotiated collective agreements with no major interruption of services through labour disputes. To further enhance employee relations and job security, not a single employee has lost employment due to the downsizing process. The department has initiated and managed innovative job sharing and early retirement programs to reduce the Corporation's work force without layoffs.

The Management Systems staff provides the computer expertise that maintains a province-wide network of personal computers, terminals and equipment capable of accessing the corporate systems including electronic mail and word processing. Additionally, a variety of financial, accommodation, planning and property management information needs are met through major corporate systems, many of which are unique.



The financial pulse of the Corporation has been effectively monitored over the years by the staff of the Corporate Controller's Department. From the hectic start-up days

when financial policies and major systems were required to be in place prior to April 1, 1978, staff have developed a family of financial systems that serve many internal and external customers.

In the Finance and Corporate Planning Department, staff working in conjunction with the Corporate Planning Committee, develop the Annual and Long Range Plans which direct all corporate activity for the period. Staff of this department



also manage a debt portfolio of over \$400 million through a financing strategy that minimizes interest costs while balancing acceptable interest rate risks.

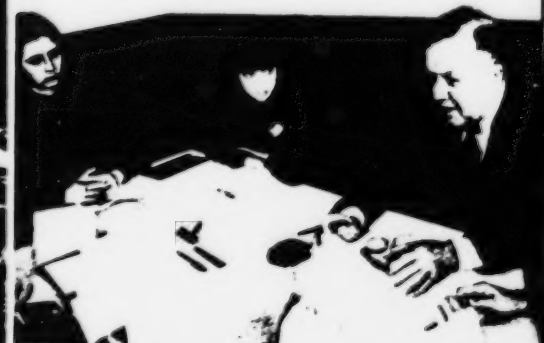
As B.C. Buildings matured and staff became familiar with its policies and procedures, the Internal Audit Department, which had been accustomed to auditing for compliance, turned its attention more to operational reviews that search for ways to improve efficiency, economy and effectiveness in addition to monitoring financial integrity.

Development of personal skills has been encouraged from the outset, and where special training has been required, it has been made available. Over the past three years, through the Organization and Staff Development Department, in-house training programs have been customized to meet employee development needs with the central theme being leadership, communication and team building.

The modern business world in

which all staff are involved has often been described as a "paper chase." Much of the Corporation's paper ends up on the desk of the General Counsel staff. The department provides legal services to all departments to protect the organization at law and to ensure that all legal requirements are satisfied.

The high level of performance of B.C. Buildings over the first 10 years has been confirmed by various independent surveys. The challenges of starting a new corporation were met only with a good deal of hard work, innovation and dedica-



tion by staff. Some of those who worked so diligently in setting up the organization have gone on to new challenges, but their contribution to our success over the first 10 years are remembered and appreciated, while the dedication and talents of our current staff provide the foundation for our second decade.

Board of Directors



Thomas A. Toynbee, Chairman
Businessman
Ganges, B.C.



Dennis Truss
President and Chief Executive Officer
(from December 1, 1987)
Victoria, B.C.



Dan Peterson, MLA
Langley, B.C.



* Robert E. Parkinson
Businessman
Victoria, B.C.



* George A. Rigsby
Rigsby, Lea, Barr and Co
Quesnel, B.C.



* John Wittenberg
Retired School Teacher
Abbotsford, B.C.



Gordon Robson
Businessman
Maple Ridge, B.C.



* Douglas McCallum
Businessman
(to December 31, 1987)
Vancouver, B.C.



Peter Dolezal
President and Chief Executive Officer
(to November 30, 1987)
Victoria, B.C.

Corporate Management

President and Chief Executive Officer Dennis Truss
Stephan Marmash, General Counsel and Assistant Secretary

Planning and Client Services Group
Vice-President Bryan Wilson

Bill Robertson, Client Services Director
Ted Meadley, Client Services Director
Lak Parmar, Space Management Manager

Real Estate Group
Vice-President John Robinson

Bill Blair, Pricing Manager
Chris Schreiber, Real Estate Manager
Gary James, Leasing and Corporate Purchasing Manager

Development Group
Vice-President John Davies

Ben Vivian, Programming and Estimating Manager
Peter Moyles, Project Management Manager
Peter McKenna, Technical Standards and Research Manager

Property Management Group
Vice-President Al Kemp

Alex Thomson, Region 1 Director
Evan Brewer, Region 2 Director
Wray White, Region 3 Director
Jack Meredith, Technical and Energy Management Manager
Effie Fahey, Administrative Support Manager

Administration Group
Vice-President and Chief Financial Officer Brian Kennedy

Dennis Jaques, Management Systems Manager
Don MacIver, Corporate Controller
Jim Alexander, Finance and Corporate Planning Manager
Jim Harrison, Human Resources and Corporate Affairs Manager
Bill Heschuk, Organization and Staff Development Manager
Michael Grannum, Internal Audit Manager

Michael Grannum, Corporate Secretary

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Peat Marwick
Chartered Accountants
Vancouver, B.C.

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British Columbia Cataloguing in Publication Data

British Columbia Buildings Corporation
Annual Report 1977/1978 -

Report year ends March 31
ISSN 0702-0511 - Annual report - British Columbia
Buildings Corporation

1. British Columbia Buildings Corporation
2. British Columbia - Public works - Periodicals

TA 27.B7A2 354 : 711'0086068